

Message Text

PAGE 01 MOSCOW 09316 040333Z

10

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

SAM-01 SAJ-01 FEA-01 ERDA-05 AID-05 CEA-01 CIEP-01

COME-00 EB-07 FPC-01 INT-05 OMB-01 OES-03 STR-04

TRSE-00 FRB-03 NRC-05 NEA-10 /122 W

----- 053857

R 031614Z JUL 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 1890

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMCONSUL LENINGRAD

AMEMBASSY LONDON

AMCONSUL MUNICH

USMISSION NATO

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 9316

E.O. 11652 GDS

TAGS: ECIN, COMECON, XH, CU

SUBJECT: 29TH CEMA COUNCIL SESSION: THE VIEW FROM MOSCOW

REF: BUDAPEST 1965

1. SUMMARY - IN SPITE OF WIDESPREAD FANFARE THROUGHOUT SOVIET
CONFIDENTIAL

PAGE 02 MOSCOW 09316 040333Z

CENTRAL PRESS, INDICATIONS ARE THAT 29TH CEMA COUNCIL MEETING IN
BUDAPEST PRODUCED FAIRLY ROUTINE RESULTS. CHIEF AMONG THESE WAS
APPROVAL OF A DOCUMENT ON "MULTILATERAL COOPERATION IN ECONOMIC
INTEGRATION". EVEN THIS DOCUMENT, HOWEVER, IS APPARENTLY LITTLE

MORE THAN DRAWING TOGETHER OF CEMA JOINT PROJECTS ALREADY UNDERWAY OR IN PLANNING STATE, INCLUDING CUBAN NICKEL/COBALT PROJECT WHICH WAS FORMALIZED AT SESSION. WORK ON PLAN COORDINATION FOR NATIONAL ECONOMIES OF CEMA MEMBER COUNTRIES IS PROCEEDING, BUT CAUTION AND RESERVATIONS OF EE COUNTRIES SEEM TO HINDER MORE RAPID PROGRESS SOVIETS WOULD LIKE TO SEE. "PLAN COORDINATION" IS SEEN BY MOSCOW AS ESSENTIALLY INCLUSION OF FOREIGN GRADE AGREEMENTS BETWEEN CEMA MEMBER STATES IN THEIR RESPECTIVE PLAN DOCUMENTS, A GOAL BEING ATTAINED BILATERALLY BETWEEN USSR AND EACH EE COUNTRY INDIVIDUALLY RATHER THAN IN FORMAL CEMA FORUM. ENERGY CONTINUES TO POSE PROBLEMS, AND DISCUSSION OF RAW MATERIAL PRICES AT SESSION REPORTEDLY DID NOT EVEN TAKE PLACE FOLLOWING "GENTLEMAN'S AGREEMENT" AMONG DELEGATIONS CHIEFS TO AVOID THIS SENSITIVE TOPIC. CEMA-EEC RELATIONS WERE DISCUSSED AT SESSION, WITH NOTABLE FAILURE TO REACH CONSENSUS ON QUESTION OF AUTHORITY CEMA SECRETARIAT MAY EXERCISE AS SPOKESMAN FOR INDIVIDUAL MEMBER NATIONS. END SUMMARY

2. DURING AND FOLLOWING LAST WEEK'S 29TH SESSION OF THE CEMA COUNCIL, SOVIET PRESS HAS REPORTED WIDELY ON ACHIEVEMENTS OF SESSION IN FURTHERING CAUSE OF "SOCIALIST" ECONOMIC INTERGRATION. EMBASSY'S ASSESSMENT, BASED IN PART ON DISCUSSIONS WITH OTHER WESTERN DIPLOMATS IN MOSCOW, IS THAT SESSION WAS IN FACT FAIRLY ROUTINE, WITH FEW CONCRETE RESULTS ATTAINED AND MANY SUBJECTS RETURNED TO CEMA COMMITTEES FOR FURTHER REVIEW AND COORDINATION BEFORE NEXT YEAR'S COUNCIL MEETING. OUTRIGHT DISAGREEMENTS WERE PERHAPS LARGELY AVOIDED, IN PART DUE TO PRIOR AGREEMENT NOT TO DISCUSS SOME CONTROVERSIAL SUBJECTS. FOR EXAMPLE, UK EMBASSY MOSCOW RECEIVED REPORT FROM BRITISH AMBASSADOR TO BUDAPEST WHO WAS TOLD BY "AUTHORITATIVE" HUNGARIAN SOURCES THAT "GENTLEMAN'S AGREEMENT" HAD BEEN REACHED PRIOR TO COUNCIL SESSION THAT SUBJECT OF RAW MATERIAL PRICES WOULD NOT BE RAISED.

3. MULTILATERAL INTEGRATION. PROBABLY GREATEST SINCE AREA OF ACHIEVEMENT AT SESSION WAS ADOPTION OF DOCUMENT FOR MULTILATERAL ECONOMIC INTEGRATION -- A FIRST FOR CEMA AS IS WIDELY PROCLAIMED IN SOVIET PRESS REPORTAGE. YET THIS DOCUMENT APPARENTLY IS LITTLE CONFIDENTIAL

PAGE 03 MOSCOW 09316 040333Z

MORE THAN A DRAWING TOGETHER AND CONFIRMATION OF INDIVIDUAL PROJECTS ALREADY UNDERWAY OR IN PLANNING STAGE. APPARENTLY IT HAS THREE PARTS: (A) MAJOR PROJECTS; (B) COOPERATION AND SPECIALIZATION; AND (C) COOPERATION IN R&D. FIRST OF THESE IS MOST IMPORTANT AND INCLUDES ALL CEMA MULTILATERAL PROJECTS UNDERTAKEN TO DATE (ORENBURG, KURSK, KIEMBAYEV, UST-ILIM, AND VINNITSA) PLUS CUBAN NICKEL/COBALT DEVELOPMENT PROJECT WHICH WAS SIGNED AT SESSION BY ALL CEMA MEMBERS EXCEPT MONGOLIA. COORDINATION AND SPECIALIZATION SECTION REFERS GENERALLY TO WORK IN MACHINEBUILDING, CHEMICAL, AND NUCLEAR POWER SECTORS; SPECIFICS OF THESE ACTIVITIES ARE UNKNOWN AT PRESENT BUT PRESUMABLY THIS IS CONTINUATION AND EXTENSION OF WORK BEING CARRIED OUT IN VARIOUS PERMANENT CEMA COMMITTEES DEALING WITH INDUSTRY. SECTION OF R&D

LARGELY DEVOTED TO ENERGY (DEVELOPMENT ON NEW ENERGY SOURCES, ATTAINMENT OF GREATER EFFICIENCY IN ENERGY UTILIZATION, ETC.), ALTHOUGH JOINT RESEARCH WILL ALSO BE UNDERTAKEN IN AREAS OF METAL ANTI-CORROSION AND TIMBER INDUSTRY. (COMMENT: CUBAN NICKEL/CABALT PROJECT IS ONE OF FIRST MAJOR CEMA MULTILATERAL PROJECTS TO BE UNDERTAKEN OUTSIDE BORDERS OF USSR. (EE ELECTRICAL POWER GRID WILL BE ANOTHER WHEN FINALLY APPROVED.) BECAUSE CEMA PROJECTS IN USSR WILL BECOME EXCLUSIVE PROPERTY OF SOVIET UNION WHEN COMPLETED THEY DIFFER LITTLE FROM SO-CALLED "COMPENSATION" DEALS WHICH USSR IS CONCLUDING WITH WESTERN FIRMS. END COMMENT) FINALLY, WE NOTE COUNCIL SESSION COMMUNIQUE STATES INVESTMENTS IN THESE MULTILATERAL PROJECTS IS TO TOTAL 9 BILLION TRANSFERABLE RUBLES DURING NEXT FIVE YEAR PERIOD. ACCORDING TO NEUES DEUTSCHLAND REPORT OF COUNCIL MEETING, ONLY 7 BILLION WILL ACTUALLY BE USED IN 1976-1980 PERIOD WITH REMAINDER TO TO BE INVESTED ONLY AFTER 1980.

4. PLAN COORDINATION. IMPORTANT HERE IS THAT WHAT IN WEST IS UNDERSTOOD AS "COORDINATION" IS NOT WHAT IS HAPPENING WITHIN CEMA, I.E. THERE IS LITTLE OR NO MOVEMENT TOWARD REAL COUNTRY-BY-COUNTRY SPECIALIZATION AND DIVISION OF LABOR FOR GOOD OF CEMA COMMUNITY AS A WHOLE. INSTEAD, CEMA "PLAN COORDINATION" REFERS MAINLY TO COUNTRIES' FOREIGN TRADE SECTORS AND WILL ULTIMATELY FIND REFLECTION IN EACH MEMBER STATES'S NEW FIVE YEAR PLAN. EVEN FOREIGN TRADE COOPERATION IS NOT BEING CARRIED OUT SUCCESSFULLY UNDER MULTILATERAL CEMA UMBRELLA; ACCORDING TO ROMANIAN EMBASSY MOSCOW TRADE ARRANGMENTS ARE STILL AND WILL CONTINUE TO BE NEGOTIATED ON STRICT BILATERAL BASIS. IN THAT CONNECTION, WORK IS PROCEEDING
CONFIDENTIAL

PAGE 04 MOSCOW 09316 040333Z

RAPIDLY TOWARD CONCLUSION OF 5-YEAR TRADE AGREEMENTS BETWEEN USSR AND EACH CEMA COUNTRY. LOCAL SOURCES FEEL THAT ALL OF THESE WILL BE COMPLETED BY SEPTEMBER/OCTOBER, 1975.

5. ONE OF FEW POSITIVE STEPS FORWARD IN MULTILATERAL PLANNING COOPERATION HAS TO DO WITH INDIVIDUAL CEMA PROJECTS. AT BUDAPEST SESSION AGREEMENT WAS APPARENTLY ACHIEVED ON WHO WILL DELIVER WHAT WHEN, THUS COMBINING INTO ONE DOCUMENT AGREEMENTS WHICH WERE REACHED EARLIER IN BILATERAL ARENA. FOR EXAMPLE, WE UNDERSTAND THAT ROMANIA IS TO TAKE THE LEAD IN UST-ILIM PULP/PAPER PROJECT. ALSO IN AREA OF PLAN COORDINATION (E.E. FOREIGN TRADE PLANNING) WE NOTE FROM COMMUNIQUE THAT COMMODITY TRADE SHOULD INCREASE BY "OVER" 50 PERCENT ("ON BASIS OF 1974 PRICES") DURING NEXT FYP. OTHER SOVIET PRESS REPORTS PUT FIGURE FOR INCREASE IN MUTUAL DELIVERIES AT 57 PERCENT FROM 1976-80. GIVEN FACT THAT INTRA-CEMA FOREIGN TRADE ROSE BY 51 PERCENT DURING 1971-74 ALONE, IT APPEARS THAT ACTUAL GROWTH IN THIS AREA MAY BE LEVELLING OFF OR EVEN SLOWING DOWN SLIGHTLY.

6. ENERGY. FEW IF ANY OF PROBLEMS FACING EE COUNTRIES IN ENERGY WERE RESOLVED AT SESSION. COMMUNIQUE STATES ONLY THAT, IN REVIEWING REPORT ON "CONCEPT" FOR DEVELOPMENT OF CEMA FUELS/ENERGY BASE,

COUNCIL PAID "MAJOR ATTENTION" TO PROBLEMS OF ASSURING RESOURCES OF FUELS AND ENERGY. THE REPORT WAS RETURNED TO APPROPRIATE CEMA ORGANIZATIONS FOR FURTHER DISCUSSION. IN MEANTIME, PROBLEMS OF EE ECONOMIES RESULTING FROM RECENT PRICE RISES CERTAINLY WERE NOT RESOLVED (AND PRICES THEMSELVES NOT EVEN DISCUSSED ACCORDING TO UK AMBASSADOR IN BUDAPEST). NEITHER WERE QUESTIONS OF COUNTRIES'S INVESTMENTS IN ENERGY INDUSTRIES. APPARENTLY LITTLE FORWARD MOVEMENT IN AREA OF EE/WESTERN USSR UNIFIED ELECTRICAL POWER GRID HAS TAKEN PLACE DURING YEAR SINCE 28TH CEMA COUNCIL MEETING, EXPECT THAT YUGOSLAVIA HAS ALSO DECIDE TO JOIN THE PROJECT. THIS REPORT WAS ALSO RETURNED TO COMMITTEE FOR REVIEW. A DRAFT "GENERAL PLAN" FOR THE SYSTEM SHOULD BE PREPARED IN TIME FOR PRESENTATION AT 30TH COUNCIL MEETING NEXT YEAR.

7. ALSO REGARDING ENERGY, SOSYINN, IN HIS SPEECH TO COUNCIL, PATTED USSR ON BACK FOR UNDERTAKING "SUBSTANTIAL ALTERNATIONS" OF PROPORTIONS IN SOVIET ECONOMY TO ACHIEVE INCREASE IN FUEL DELIVERIES TO EE COUNTRIES ABOVE EARLIER PLANNED LEVELS.
CONFIDENTIAL

PAGE 05 MOSCOW 09316 040333Z

SOVIET PRESS HAS GIVEN WIDE DISTRIBUTION TO THIS ASSERTION, AND IT HAS BEEN INCORPORATED INTO VIRTUALLY EVERY COMMENTARY WHICH HAS APPEARED ON THE SESSION. SOVIETS PROBABLY VIEW THIS AS USEFUL PRECEDENT TO JUSTIFY POSSIBLE REQUESTS FOR INCREASED DELIVERIES FROM EE COUNTRIES (E.G. COAL FROM POLAND, OIL PRODUCTS FROM ROMANIA) AT SOME LATER DATE. AT SAME TIME, WE NOTE IN IZVESTIYA LEADER OF JUNE 28 FIRST MENTION THAT USSR WILL RECEIVE FOR DOMESTIC CONSUMPTION "ALMOST HALF" OF NATURAL GAS FLOWING THROUGH ORENBURG-USSR WESTERN FRONTIER PIPELINE.

8. ACCORDING TO OUR INFORMATION QUESTION OF CEMA-EEC RELATIONS WERE DISCUSSED FULLY AT SESSION, BUT NO AUTHORITY WAS INVESTED IN CEMA SECRETARIAT TO SPEAK COLLECTIVELY FOR MEMBER STATES IN DEALINGS WITH EEC. AS HAS BEEN REPORTED ELSEWHERE, ROMANIA IN PARTICULAR IS OPPOSED TO SUCH A PROPOSITION AS INFRINGEMENT ON NATIONAL SOVEREIGNTY. NONETHELESS, KOSYGIN PROVIDED VEILED WARNING IN HIS SPEECH THAT CEMA MUST ULTIMATELY RECEIVE SUCH AUTHORITY TO NEGOTIATE WITH "CAPITALIST" ECONOMIC ORGANIZATIONS ON BEHALF OF MEMBER NATIONS. IN PARTICULAR, KOSYGIN CALLED FOR "COLLECTIVE (CEMA) ACTIONS" IN DEALING WITH "CAPITALIST" MARKETS.
STOESSEL

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, INDUSTRIAL DEVELOPMENT, ENERGY, HEAD OF GOVERNMENT, MEETINGS, ECONOMIC INTEGRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW09316
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750232-0430
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507107/baaaatmq.tel
Line Count: 209
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by ShawDG>; APPROVED <24 SEP 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ECIN, ENRG, XH, CU, COMECON
To: STATE INFO BELGRADE
BERLIN
BONN
EC BRUSSELS
BUCHAREST
BUDAPEST

LENINGRAD
LONDON
MUNICH
NATO
PARIS
PRAGUE
ROME
SOFIA
WARSAW

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006